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Conceptual framework for GVC accounting

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Ivo Havinga
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- Aim and overview of the Chapter
- Building blocks of the satellite accounts
 - GVC statistical units and governance
 - GVC geographical boundary
 - Industry specific GVC
 - Classification of GVC business functions
 - Classification of GVC products
 - GVC extensions –KLEMS, environment
- Satellite Accounts for GVC:
 - Multi-country GVC-SUTs
 - Extended institutional sector accounts
- Overall approach to GVC satellite accounts



Aim and overview of the Chapter

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- Understand and analyze GVCs within the national accounts framework
- Develop a satellite account to describe more in depth specific aspects of GVCs that are otherwise hidden in the conventional accounts
- Provide the building blocks for the framework
- Describe the accounts:
 - Multi-country GVC SUTs
 - Extended institutional sector accounts



Building blocks of the GVC satellite accounts

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- Type of GVC
- GVC relevant geographical boundary
- GVC units and governance
- GVC-relevant industry/business function breakdown
- GVC-relevant product breakdown
- GVC-relevant additional information (e.g. employment, capital, environment related, etc.)



Type of GVC

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- GVCs revolve over a specific industry/final product(s).
 - GVC for automotive industries; electronics; apparels; textiles; fruits and vegetable, etc.
- From a national perspective, the choice of which GVC to analyze depends on the policy relevance of the GVC in the compiling country.
- A country may be interested in understanding its position in a specific GVC in order, for example, to enhance its participation and upgrading in the specific GVC, to understand the impact of the GVC on employment, etc.



GVC relevant geographical boundary

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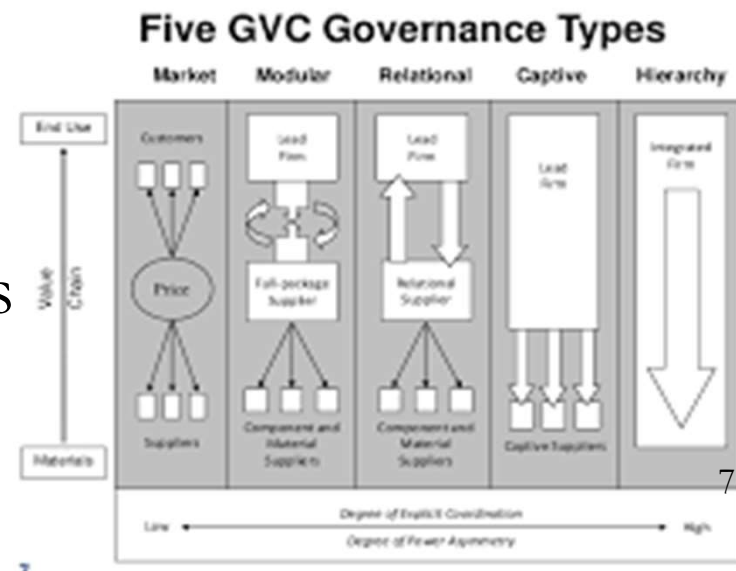
- Activities of a GVC are carried out across national boundaries on global scale.
- However, a practical approach for the compilation of a GVC satellite account relies on the identification of the main relevant players in the GVC.



GVC statistical units and governance

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- The governance structure of a GVC consist of the set of relationships that are in place between the firms involved in the GVC.
- Important to be reflected in the accounts to better understand dependencies, prices, FDI etc.
- Concept of **lead firms** and **affiliated firms** need to be translated into national accounts terms





GVC statistical units and governance

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- Lead firm => ultimate controlling parent
- Affiliated firms => Subsidiaries
- Non affiliated firms => Associates



- GVCs are characterized by a sequence of business production processes that bring a product to its final consumers from its conception.
- **Business functions** are the activities carried out by an enterprise; they can be divided into **core functions** and **support functions**



- **Core business functions** are activities of an enterprise yielding income: the production of final goods or services intended for the market or for third parties.
- **Support business functions** are supporting activities carried out by the enterprise in order to permit or to facilitate the core business functions, its production activity.
 - **distribution and logistics**
 - **marketing, sales and after-sales services**
 - **information and communication technology (ICT) services**
 - **administrative and management functions**
 - **engineering and related technical services**
 - **research & development (R&D)**

Need correspondence to ISIC



- GVC products are those products (goods and services) that are inputs into the production process.
- The product mapping depends on the specific GVC: the product mapping for the GVC for automotive is very different than the product mapping for the GVC for textiles or electronics.



GVC-relevant additional information

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- K (capital), L(labor), E(energy), M(materials), S(services) – KLEMS
- Environmental dimension (e.g. emissions, water, energy, etc.)



- GVCs SUTs are within the same conceptual framework of TiVa.
 - They provide a greater focus on the measurement of a specific GVC
 - They can be used as benchmark for TiVA



Approach to the GVC satellite accounts

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- The approach used for the development of GVC satellite accounts is
 - GVC- specific
 - National perspective
 - Multi-country table
- Top-down and bottom-up approaches to their compilation
- Importance of profiling LCUs



Thank you